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TO RUEHC/SECSTATE WASHDC IMMEDIATE 0217
INFO RUCNIAD/IGAD COLLECTIVE PRIORITY
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C O N F I D E N T I A L KHARTOUM 000387

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FOR S/E WILLIAMSON, AF A/S FRAZER, AF/RSA, AF/SPG

E.O. 12958: DECL: 03/12/2023

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SUBJECT: (C) CAIRO TO LOAN \$300 MILLION TO SPLA?

Classified By: Charge d'Affaires Alberto M. Fernandez. Reasons 1.4 (b,d)
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¶1. (C) According to a senior expatriate advisor within the Government of Southern Sudan's Finance Ministry, the Government of Egypt has decided to award a \$300 million loan to the Sudanese People's Liberation Army. The MinFin advisor told ConGen staff on March 7 that save for the note of guarantee, the loan is not reflected in the ministry's books, nor is it reflected in this year's budget tables. The loan amount matches the gap between the SPLA's current 2008 budget of \$500 million and the \$800 million request pushed forward by SPLA Affairs Minister Dominic Dim Deng during the Fall 2007 finalization of the GOSS budget. At the time, SPLA Chief of Staff Oyai Deng Ajak characterized the two-days of budgetary discussions that had dominated an extended Southern Sudan Defense Council Meeting (equivalent to the NSC) as "productive," although he allowed that GOSS Finance Minister Mawien "appeared uncertain of the importance of the SPLA's requests or a thorough understanding of the military's needs." (COMMENT: Few in Juba's diplomatic corps were surprised by Mawien's flat-lining of the SPLA's budget for ¶2008. The SPLA was one of only four GOSS institutions under-budget during the 2007 fiscal year. END COMMENT.)

¶2. (C) Since discovering the loan guarantee note among other documents at the Ministry of Finance, and following her refusal to back-date select financial paperwork, the expatriate advisor's access within the Ministry has become increasingly limited. The advisor's parent company is exploring her possible transfer out of the Ministry for her own personal safety. The date of the loan guarantee coincides with a recent visit by First Vice President and GOSS President Salva Kiir Mayardit to Cairo, but neither Post nor ConGen Juba has any indication that the loan was generated by that visit. Egypt has already opened a consulate in Juba and offered scholarships to South Sudanese.

¶3. (C) COMMENT: We believe the loan guarantee story could be credible, and take it to be a possible indication of Cairo hedging its bets in advance of the 2011 Referendum on South Sudan's independence. If true, it would represent a qualitative change in Egypt's traditional policy leaning towards regime stability in Khartoum by favoring the ruling National Congress Party of President Bashir. What the SPLA could use this money for -- what strings could be attached, and whether it will be used to support the military itself, remains a question. The 2008 budget includes line items for a \$30 million museum. Dropping such extraneous expenditures would give the SPLA additional flexibility to fund programs without the sacrifice of being tied to the whims and wishes of a foreign government such as Egypt. Given the SPLA's recent experience with the Kenyan government's denouncement of its Ukrainian tank-transfer, we can only conclude that the

leadership in Juba believes the need for an immediate surge in cash holdings outweighs the risk of this being exposed. Our one major doubt about this tale lies in the potential damage such an alleged initiative could have on the Egyptian Government's own public image, inside Egypt and in the Arab world, if it was to come out. It seems just too bold given the risk factor. End comment.

FERNANDEZ